Commercial auctions clear 80pc

Su-Lin Tan

Appetite for Sydney commercial property remains strong, with a portfolio auction on Tuesday achieving an 80 per cent clearance rate.

The lowest yield achieved at the Burgess Rawson auction was 4.4 per cent on a Red Rooster-anchored property at 157 The Entrance Road in Erina on Sydney's Central Coast. It sold for $2.925 million after a big round of bids.

The Gladstone Palms Motor Inn in West Gladstone, Queensland, sold for $2.36 million at the highest yield of the auction, 12.59 per cent.

But the highest-profile sale, the retail property at 6 Bridge Street in the Sydney CBD leased for 10 years to fine dining restaurant Bouche, passed in at $7.25 million.

"The auction numbers are as high as you've ever seen," Burgess Rawson director Dean Venturato said.

"There is a lot of of depth of buyers for assets with good tenants and long leases.

"There are a lot of self-managed super funds which are willing to take a lower return with long-term growth. They are not into immediate wealth creation but wealth preservation, and they are looking for solid income streams and safe and secure assets."

Burgess Rawson reports strong demand for assets with good tenants and long leases. PHOTO: LOUIE DOUVIS

Lenders were as buoyant as investors, Mr Venturato said.

"There are [lending] at rates of under 4 per cent for good commercial properties," he said.

The "usual suspects" were all snapped up on Tuesday – medical centres, childcare centres, petrol stations and long-term government and bank-leased assets.

A Kingsgrove G8 Childcare Centre in south-west Sydney sold for $2.5 million at a yield of 4.72 per cent.

Two medical and retail investments in the Lisarow Plaza Shopping Centre at Parsons Road sold for $3.21 million at a yield of 6.23 per cent.

"The net positive cash flow post debt is big," private lender Development Finance Partners director Matthew Royal said. "Due to the cheap cost of debt, the after leverage return on equity is good. This will see the contraction in yield for B and C-grade commercial properties," he said.

Melbourne childcare centre portfolio on the market

Nick Lenaghan

A six-asset portfolio of childcare facilities has hit the market in Melbourne, with expectations of up to $50 million in total.

The privately held portfolio includes centres in Melbourne's east, along with a large facility at Point Cook in the west.

The portfolio sale comes amid increasing interest in such facilities and as the government pursues reforms to fee relief for the sector.

The six centres are fully leased and can be sold individually or in one line. Tenants include the listed G8 Education, national provider Guardian Early Learning, and private operator Nino Early Learning Adventures, which controls the portfolio.

Savills agents Julian Heatherich, Clinton Baxter and Benson Zhou have been appointed to handle the centres, which are expected to sell for between $7 million and $9 million each.

"This is a brilliantly assembled portfolio combining exceptional landholdings, quality buildings, geographic diversity and a tenancy profile that is rarely available elsewhere in the commercial property market," Mr Heatherich said.

The facilities are mostly in Melbourne's east, including Hughesdale (above).

"Put this together with built-in rental growth and significant income tax depreciation benefits in a rapidly growing, government backed industry."

Mr Baxter said an increasing number of local and offshore players were interested in childcare assets with their long-leases and secure income streams.

"With recent childcare sales at yields ranging from 3.89 per cent in Thornbury to 5.1 per cent in Rowville, investors have a fantastic opportunity to secure genuine value and compelling rental yields in this portfolio of properties," he said.

Childcare centres have been changing hands on tight yields regularly at large portfolio auctions. One Sydney childcare facility was sold for $2.41 million at a record yield of 3.9 per cent in Chatswood in Sydney last year.

The depth of interest has pushed up values, which have been booked in healthy portfolio gains by listed childcare landlords including Arena REIT and Folkestone Education Trust.

In February, Arena upgraded its 2017 full-year distribution guidance after increasing its interim earnings with strong rental growth and lower debt costs.

Brick sells quick

Fractional property investing platform BrickX says the median time to sell a "brick" – or part ownership in one of its properties – is less than three hours. CEO Anthony Millet said the median selling time was more comparable to trading shares on the stock exchange than the average time it would take to sell a house. BrickX, which is backed by Markus Kahlbetzer, now has over 3000 active members. LARRY SCHLESINGER

Three floors for Ixom

Water treatment and chemicals company Ixom has leased three levels at 1 Nicholson Street, an 18-level fringe Melbourne CBD office building owned by Charter Hall's Direct Office Fund. Ixom took the office space over an eight-year term in the A-grade building. LARRY SCHLESINGER

Advisers access fund

Charter Hall's Direct Office Fund has become available to financial advisers through investment and superannuation platforms including BT Wrap, BT Panorama, Macquarie Wrap, Colonial First State FirstWrap, HUB24, Netwealth and Powerwrap. The unlisted fund comprises a portfolio of 10 fully leased office buildings valued at more than $1 billion. NICK LENAGHAN

Mall goes on sale

ASX-listed mall landlord Vicinity Centres is selling Terrace Central, a single-level neighbourhood shopping centre located in Raymond Terrace, about 29 kilometres north of the Newcastle CBD. The 7258sq m mall, anchored by Woolworths, has a December 2016 book value of $30 million and trades on a cap rate of 7.25 per cent. Sam Hatcher from JLL is marketing the mall for Vicinity. LARRY SCHLESINGER

New Colliers head

Colliers International has appointed Craig Shute, a former managing director of CBRE and Adelaide Airport's executive general manager for property, as national director. Mr Shute will work closely with James Young, Colliers' chief executive for South Australia to grow the firm's Adelaide business. MICHAEL BLEBY

Franchise post

McGrath Limited has appointed Christopher Mourd, head of real estate for the LJ Hooker Group, as head of the franchise network of McGrath Estate Agents, replacing Gary Vouris. MICHAEL BLEBY

Hotspot experts led investors badly astray

Larry Schlesinger

Who would have thought investing in a mining town five years ago was a bad idea?

Clearly not the so-called investment gurus who advised the faithful readers of glossy mag *Your Investment Property* in 2011 and 2012 to buy property in places like Roxby Downs, an outback mining town in South Australia, or Queensland mining towns like Emerald and Chinchilla.

According to analysis by investment advisers RiskWise Property Review, these so-called "hotspots" delivered negative capital growth of 46 per cent, 41 per cent and 15 per cent respectively over the past five years, among the worst examples of what proved to be pretty poor investment advice.

Across the 200 suburbs evaluated as the best in the country in the 2011 and 2012 editions of *YIP*, RiskWise Property found that nearly-two thirds delivered lower capital growth across two key benchmarks: the national capital growth for their property type and the capital growth achieved by the corresponding capital city (using CoreLogic data).

Townsville unit prices are down more than 12 per cent since 2012.

Worse performers were mining towns, but other *YIP* tips that turned into duds include Perth apartments, which have fallen 8 per cent in value in since 2012, and Townsville apartments, which are down more than 12 per cent since 2012.

According to RiskWise, a key factor in the poor overall performance is that a future view requires a comprehensive risk-return analysis on region, location, suburb growth, property type and features.

"In the absence of that analysis, it is harder to properly identify and accurately assess the risks and the projected returns," RiskWise said.

The other main factor was other macro factors were probably not taken into consideration, such as mining giant BHP Billiton shelving billions of dollars of major projects in 2012 indicating a slowdown in the mining boom, which impacted on land and property prices and demand.

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